		GROUP	
	(R'million)	2016	2015
32	**Guarantees and contingent liabilities**		
	Guarantees and contingent liabilities	12,8	16,9

COMPANY

Guarantees exist against the company for the obligations of certain subsidiaries amounting to R3,5 million at 30 September 2016 (2015: R91,3 million).

Shares in Chocolaterie Confiserie Camerounaise SA (Chococam), acquired on 1 August 2008 have been pledged as security for the foreign loan utilised to acquire the subsidiary. Refer to note 27.1.

33 Financial instruments

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising principally as a result of commodity price, currency and interest rate fluctuations. The use of derivatives for the hedging of firm commitments against commodity price, foreign currency and interest rate exposures is permitted in accordance with group policies, which have been approved by the board of directors. Where significant finance is taken out, this is approved at board meetings.

The foreign exchange contracts outstanding at year end are marked-to-market at closing spot rate.

The group finances its operations through a combination of retained surpluses, bank borrowings and long-term loans.

The group borrows short-term funds with fixed or floating rates of interest through a subsidiary company, Tiger Consumer Brands Limited.

The main risks arising from the group's financial instruments are, in order of priority, procurement risk, foreign currency risk, interest rate risk, liquidity risk and credit risk as detailed below.

33.1 Procurement risk (commodity price risk)

Commodity price risk arises from the group being subject to raw material price fluctuations caused by supply conditions, weather, economic conditions and other factors. The strategic raw materials acquired by the group include wheat, maize, rice, oats and sorghum.

The group uses commodity futures and options contracts or other derivative instruments to reduce the volatility of commodity input prices of strategic raw materials. These derivative contracts are only taken out to match an underlying physical requirement for the raw material. The group does not write naked derivative contracts.

The group has developed a comprehensive risk management process to facilitate, control and monitor these risks. The procurement of raw materials takes place in terms of specific mandates given by executive management. Position statements are prepared on a monthly basis and these are monitored by management and compared to the mandates.

The board has approved and monitors this risk management process, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures.